

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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O 051950Z JUL 77 ZFF 4
FM AMEMBASSY LONDON
TO SECSTATE WASHDC NIACT IMMEDIATE 5820
INFO AMEMBASSY LUSAKA IMMEDIATE
AMEMBASSY PRETORIA IMMEDIATE

S E C R E T SECTION 01 OF 04 LONDON 11075

EXDIS

FOR AF/MOOSE FROM FRANK

E.O. 11652: GDS
TAGS: RH, UK, PDEV
SUBJECT: US-UK CONSULTATIONS ON THE ZIMBABWE DEVELOP-
MENT FUND

1. SUMMARY/ACTION REQUEST: JULY 5 CONVERSATIONS ON
ZDF WITH BRITISH PRODUCED GENERAL AGREEMENT THAT NO NEW
PROPOSALS SHOULD BE PRESENTED AT THIS TIME TO POTENTIAL
FUND CO-DONORS. PARTICIPANTS AGREED TO ASK FOR
IMMEDIATE STATE/FCO APPROVAL FOR LOW AND GRAHAM TO
HAND TO NATIONALISTS AND SMITH REGIME COPIES OF THE
DECEMBER ZDF PROPOSAL AND THE TWO ANNEXES WHICH WERE
SENT TO POTENTIAL CO-DONORS. (TEXT OF JOINT COVERING
LETTERS WOULD NOT BE HANDED OVER.) MEETING ALSO
DRAFTED AMPLIFIED TALKING POINTS FOR CONSULTATIVE
GROUP'S USE IN CURRENT ROUND AND AGREED TO SEEK
RESPECTIVE DEPARTMENTAL APPROVAL FOR THE POINTS.
ACTION REQUESTED: THAT DEPARTMENT APPROVE RELEASE
OF DOCUMENTS REFERRED TO ABOVE TO PRINCIPAL RHODESIAN
PARTIES AND USE OF TALKING POINTS IN PARA 5 BELOW BY
CONSULTATIVE GROUP. IMMEDIATE ACTION NECESSARY TO
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ALLOW FOR IMPLEMENTATION OF THIS PLAN WHILE TEAM STILL
IN LUSAKA. END SUMMARY/ACTION REQUEST.

2. IN MEETINGS JULY 5 US-UK SIDES REVIEWED WORKING
PAPER ON ZDF WHICH MINISTERS ON JULY 1 HAD INSTRUCTED
FCO TO DISCUSS WITH US. (ACCURATE SUBSTANCE OF THIS
PAPER CONTAINED IN FCO TELEGRAMS 1704, 1717 OF 28 JUNE

WHICH SQUIRE PASSED TO DEPARTMENT.) MEETING AGREED THAT IT WOULD BE UNWISE AND PROBABLY COUNTERPRODUCTIVE TO PRESENT AMENDMENTS AT THIS TIME TO THE ORIGINAL ZDF PROPOSALS PRESENTED TO POTENTIAL CO-DONORS LAST DECEMBER.

3. IT WAS ALSO DECIDED THAT, SUBJECT TO APPROVAL OF FCO AND STATE, DECEMBER PROPOSAL FOR ZDF AND THE TWO ANNEXES WHICH ACCOMPANIED IT IN LETTERS TO POTENTIAL CO-DONORS WOULD BE HANDED OVER TO NATIONALISTS AND SMITH REGIME DURING THIS ROUND OF TALKS. THE LETTERS THEMSELVES WOULD NOT BE RELEASED. IT WAS AGREED THAT THE PRESENTATION OF THESE DOCUMENTS WOULD PRESENT PARTIES WITH FULL EXPLICATION OF PURPOSE OF FUND AND HELP MEET INEVITABLE DEMAND FOR "A PIECE OF PAPER." ASSUMPTION IS THAT ALL PARTIES HAVE PROBABLY SEEN THE DOCUMENTS OR DISTORTIONS, DELIBERATE OR OTHERWISE, THEREOF. THEREFORE IT MAKES SENSE TO PLACE CARDS ON THE TABLE. WE REQUEST STATE APPROVAL TO ALLOW LOW AND GRAHAM TO MAKE ABOVEMENTIONED DOCUMENTS AVAILABLE. UK SIDE UNDERTOOK TO GET FCO CLEARANCE FOR THIS BY MORNING OF JULY 6.

4. IN COURSE OF CONVERSATIONS DURING WHICH CONSULTATIVE GROUP WILL PRESENT DOCUMENTS IT IS EXPECTED THAT LOW AND GRAHAM WILL OFFER BRIEF EXPOSITION OF FUND'S PURPOSE, PRINCIPLES AND POSSIBLE PROGRAMS AS NOTED IN
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THE PROPOSAL AND ANNEXES. IN ADDITION CONSULTATIVE GROUP, WITH DEPARTMENT AND FCO APPROVAL, WILL USE TALKING POINTS IN PARA 5 BELOW TO AMPLIFY EXPLANATIONS OF POTENTIALLY CONTENTIOUS, ZDF-RELATED ISSUES, E.G. PENSIONS, LAND TRANSFER. IN DRAFTING THESE POINTS US-UK SIDES KEPT IN MIND DEMANDS FOR FINANCIAL SECURITY ALREADY MADE BY SMITH REPRESENTATIVES AS WELL AS PROBABLE NATIONALIST AND CO-DONOR RESPONSES TO THESE DEMANDS. TALKING POINTS WERE DRAFTED IN AN EFFORT TO AVOID INCLUDING IN THE TERMS OF THE FUND SPECIFIC OBLIGATORY OR TIED PROVISIONS CONCERNING THESE ISSUES, BUT AT THE SAME TIME MAKING IT CLEAR THAT THE CONTINUED OPERATION OF THE ZDF TO THE SUCCESSOR REGIME'S BENEFIT WILL BE, AT LEAST IN PART, CONTINGENT UPON THE CREATION OF DOMESTIC AND INTERNATIONAL CONFIDENCE IN ITS ABILITY TO GOVERN IN ACCORDANCE WITH ITS AGREED UPON CONSTITUTIONAL AND OTHER OBLIGATIONS. THE OPERATION OF THE FUND ITSELF WILL ASSIST THROUGH A VARIETY OF MEANS TO ENABLE THE

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GOVERNMENT OF ZIMBABWE TO MEET THESE OBLIGATIONS. UK
SIDE WILL SEEK FCO APPROVAL OF TALKING POINTS BY
MORNING OF JULY 6. IT IS UNDERSTOOD THAT TALKING
POINTS WILL NOT RPT NOT BE GIVEN TO THE NATIONALISTS
OR SMITH REPRESENTATIVES IN WRITING.

5. BEGIN TEXT:

1. NATURE AND GENERAL OBJECTIVES OF THE ZDF:
THE CENTRAL OBJECTIVES OF THE FUND WILL BE THOSE OF A
DEVELOPMENT AGENCY. IN ITS OPERATIONS THE FUND WILL
TAKE FULL ACCOUNT OF THE CIRCUMSTANCES PREVAILING IN
ZIMBABWE AFTER INDEPENDENCE. THE FUND'S MANAGEMENT
WILL PAY REGARD TO THE NEEDS OF THE COUNTRY IN THE
SECTORS TREATED IN THE FOLLOWING PARAGRAPHS. HOWEVER,
THE FUND WILL BE INTENDED NEITHER TO COMPENSATE ANY
SECTION OF THE ZIMBABWEAN COMMUNITY FOR LOSSES SUS-
TAINED AS A CONSEQUENCE OF THE TRANSITION TO INDEPENDENC
NOR TO ASSUME, OR DIRECTLY TO FINANCE THE DISCHARGE OF,
INTERNAL OR EXTERNAL LIABILITIES WHICH WILL PROPERLY
FALL ON THE INDEPENDENT ZIMBABWE GOVERNMENT.

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2. RESPONSIBILITY FOR DEVELOPMENT PLANNING:

THE FUND'S OPERATIONS CAN BE SUCCESSFULLY DISCHARGED ONLY IN THE CONTEXT OF CLOSE COOPERATION BETWEEN ITS MANAGEMENT AND THE ZIMBABWE GOVERNMENT. NOTHING IN THE PROSPECTUS FOR THE FUND IS INTENDED TO DIMINISH THE FUNDAMENTAL RESPONSIBILITY OF THE ZIMBABWE GOVERNMENT BOTH FOR DEVELOPMENT PLANNING IN THE BROADEST SENSE AND FOR THE PARTICULAR SECTORS AND PROJECTS TO WHICH THEY WILL ACCORD PRIORITY.

3. CONDITIONS ON WHICH THE FUND WILL EXTEND ASSISTANCE:

IN ORDER FOR THE OBJECTIVES OF THE FUND TO BE SUCCESSFULLY FULFILLED, THEY WILL HAVE TO BE UNDERTAKEN IN A CLIMATE OF DOMESTIC AND INTERNATIONAL CONFIDENCE IN THE LONG TERM DEVELOPMENT PROSPECTS OF ZIMBABWE. THIS CONFIDENCE IS MOST LIKELY TO BE CREATED AND TO SUBSIST IF THE INDEPENDENT ZIMBABWE GOVERNMENT IS SEEN TO BE DISCHARGING ITS CONSTITUTIONAL AND OTHER OBLIGATIONS AS A SUCCESSOR GOVERNMENT AND TO BE PURSUING ECONOMIC AND DEVELOPMENTAL POLICIES MOST LIKELY TO SECURE STABILITY AND ECONOMIC ADVANCEMENT FOR ALL THE PEOPLE. IN ITS

DECISIONS AS TO THE AMOUNT OF FUNDS IT MAKES AVAILABLE AND THE PURPOSES TO WHICH THEY ARE DEVOTED, THE MANAGEMENT OF THE FUND WILL NATURALLY HAVE REGARD TO THE EFFORTS OF THE ZIMBABWE GOVERNMENT IN PURSUING POLICIES OF THIS KIND.

4. PUBLIC SERVICE PENSIONS:

RESPONSIBILITY FOR PUBLIC SERVICE PENSIONS WILL PASS TO THE INDEPENDENT ZIMBABWE GOVERNMENT. THE PRESENT AND FUTURE LIABILITIES ARISING FROM SUPERANNUATION BENEFITS CANNOT BE BORNE BY ANY EXTERNAL AGENCY, BILATERAL OR
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INTERNATIONAL. HOWEVER, THE ZDF WOULD UNDOUBTEDLY TAKE THESE LIABILITIES INTO ACCOUNT IN DECIDING ON THE AMOUNTS OF ASSISTANCE ZIMBABWE WILL NEED, FOR EXAMPLE, IN THE FORM OF PROGRAMME LENDING, ESPECIALLY IN THE YEARS IMMEDIATELY FOLLOWING INDEPENDENCE. SUCH A FORM OF LENDING, WHILE NOT DIRECTLY FINANCING SUPERANNUATION OBLIGATIONS, WOULD RELIEVE RESOURCES TO HELP THE ZIMBABWE GOVERNMENT DISCHARGE SUCH OBLIGATION

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OBLIGATIONS.

5. AGRICULTURAL DEVELOPMENT, LAND TRANSFER AND SETTLEMENT: AGRICULTURE AND THE RURAL SECTOR GENERALLY WILL UNDOUBTEDLY RECEIVE A HIGH PRIORITY IN THE ZIMBABWE GOVERNMENT'S DEVELOPMENT PLANNING, AND THE FUND WOULD BE ABLE TO ASSIST PROJECTS OF THE CONVENTIONAL KIND NEEDED IN THE RURAL SECTOR, SUCH AS COMMUNICATIONS, POWER SUPPLIES, IRRIGATION, THE AVAILABILITY OF CREDIT AND THE EXPANSION OF EXTENSION SERVICES. IN THE CONTEXT OF THIS GENERAL PROGRAM OF AGRICULTURAL DEVELOPMENT RE-SETTLEMENT SCHEMES DESIGNED TO ACHIEVE A MUCH MORE EQUITABLE DISTRIBUTION OF CULTIVABLE LAND WILL BE NEEDED. THERE ARE DIFFERENT WAYS IN WHICH THE GOVERNMENT COULD SEEK TO ACHIEVE THIS. SOME MEASURE OF LAND TRANSFER COULD BE A FEATURE OF A PROGRAMME OF LAND REFORM. A PROGRAMME OF WHOLESALE LAND TRANSFER ON THE LINES OF THE SCHEMES UNDERTAKEN IN KENYA IS UNLIKELY TO BE SUITABLE, HOWEVER, SINCE IT WOULD BE ENORMOUSLY EXPENSIVE AND, UNLESS

UNDERTAKEN OVER A VERY LONG PERIOD, MIGHT LEAD TO
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AT LEAST A TEMPORARY DECLINE IN ESSENTIAL PRODUCTION. ANOTHER POSSIBILITY, WHICH COULD BE PURSUED IN PARALLEL WITH THE FIRST, WOULD BE PRIVATE PURCHASES BY AFRICAN FARMERS OF SOME LAND NOW HELD BY EUROPEANS,

AND THESE TRANSACTIONS COULD BE FACILITATED BY LOANS FROM THE ZDF. AGAIN ANOTHER POSSIBLE METHOD MIGHT BE FOR THE FREEHOLD IN ALL AGRICULTURAL LAND TO BE VESTED IN THE GOVERNMENT, WHICH COULD THEN ALLOW LEASES OF APPROPRIATE LENGTHS TO EXISTING FREEHOLDERS AND ALLOW ALSO, FOR A REASONABLE PERIOD, REMITTANCES OF FARM PROFITS ABROAD. THE EXTENT OF THESE REMITTANCES COULD BE TAKEN INTO ACCOUNT BY THE ZDF IN THE SAME WAY AS THE BURDEN OF SUPERANNUATION LIABILITIES.

6. AFRICANISATION AND THE PUBLIC SERVICE:

THE WELFARE AND PROGRESS OF THE PEOPLE OF ZIMBABWE IN THE YEARS AFTER INDEPENDENCE WILL DEPEND UPON THE ACTIVE PARTICIPATION IN DEVELOPMENT OF ALL SECTIONS OF THE POPULATION. TO HELP PROMOTE THAT COOPERATION, THE

ZDF WOULD BE READY TO SUPPORT MEASURES DESIGNED TO PROMOTE THE FULLEST POSSIBLE USE OF SKILLED MANPOWER. EDUCATION AND TRAINING PROGRAMMES WOULD BE DIRECTED TO THIS END, AND THE GOVERNMENT WOULD BE HELPED IN THIS WAY TO EMBARK ON A PROGRAMME OF AFRICANISATION OF THE CIVIL AND OTHER PUBLIC SERVICES. THE PROGRAMME COULD BE ORGANISED EITHER BY A RESTRUCTURED PUBLIC SERVICE COMMISSION OR BY THE INSTITUTION, AS A POLICY MAKING BODY, OF A NEW MANPOWER COMMISSION WHOSE COMPOSITION WOULD COMMAND THE CONFIDENCE OF THE ZIMBABWE PEOPLE.

7. MANAGEMENT OF THE FUND:

OFFICIALS OF THE WORLD BANK HAVE INDICATED THAT THEY
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WOULD CONSIDER RECOMMENDING TO THE BOARD OF DIRECTORS THAT THE BANK MANAGE THE FUND'S RESOURCES ON AN AGENCY BASIS. MATTERS OF POLICY WOULD HAVE TO BE DELIBERATED ON AND DECIDED BY A GOVERNING BODY, OF WHICH THE MOST CONVENIENT COMPOSITION MIGHT BE THE IBRD EXECUTIVE DIRECTORS WHO REPRESENT GOVERNMENTS CONTRIBUTING TO THE FUND AND REPRESENTATIVES OF THE ZIMBABWE GOVERNMENT.

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PROJECTS OF BENEFIT ALSO TO NEIGHBOURING COUNTRIES OF
ZIMBABWE - E.G. COMMUNICATIONS -- COULD BE UNDERTAKEN
BY THE FUND AND IN SUCH CASES REPRESENTATIVES OF THE
APPROPRIATE GOVERNMENTS COULD PARTICIPATE IN DECISIONS
RELATING TO THE FORMULATION AND EXECUTION OF SUCH
PROJECTS.

8. FOREIGN EXCHANGE REQUIREMENTS:

THE ZIMBABWE DEVELOPMENT FUND COULD SET ITS LEVELS OF
ECONOMIC ASSISTANCE IN ACCORDANCE WITH ITS JUDGMENT OF
THE DEGREE OF HELP NEEDED BY THE ZIMBABWE GOVERNMENT TO
MEET ITS TOTAL FOREIGN EXCHANGE REQUIREMENTS FOR
SUCCESSFUL DEVELOPMENT. IN CALCULATING THESE FOREIGN
EXCHANGE REQUIREMENTS, THE FUND WILL TAKE ACCOUNT OF
THOSE PAYMENTS ARISING FROM PENSION AND OTHER LEGIT-
IMATE TRANSFERS ABROAD OF EARNINGS OR LIQUIFIED ASSETS
OF INDIVIDUALS.

9. PRIVATE CAPITAL:

IT IS HOPED THAT THE OFFICIAL FLOWS OF FUNDS, BOTH

BILATERAL AND MULTILATERAL, WILL BE COMPLEMENTED BY
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EXTENSIVE PRIVATE INVESTMENT IN AN APPROPRIATE CLIMATE
OF CONFIDENCE. THE ZIMBABWE GOVERNMENT WOULD OF COURSE
DECIDE FOR ITSELF THE ROLE OF PRIVATE INVESTMENT AND
THE SECTORS TO WHICH IT WOULD WISH IT TO BE DIRECTED.
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